

Message Text

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PAGE 01 QUITO 05633 312231Z

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ACTION ARA-20

INFO OCT-01 ISO-00 SCEM-02 EB-11 INT-08 COME-00 TRSE-00

OMB-01 PM-07 NSC-10 SPC-03 SS-20 RSC-01 CIAE-00

DODE-00 INR-10 NSAE-00 PA-04 USIA-15 PRS-01 AID-20

NEA-10 CIEP-02 SCI-06 L-03 DRC-01 /156 W

----- 128647

R 311805Z OCT 73

FM AMEMBASSY QUITO

TO SECSTATE WASHDC 9043

INFO AMEMBASSY BERN

AMEMBASSY BRASILIA

AMEMBASSY LIMA

AMCONSUL RIO DE JANEIRO

AMCONSUL SAO PAULO

AMCONSUL GUAYAQUIL

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E.O. 11652: N/A

TAGS: ENRG, EC

SUBJECT: POSSIBLE DIVERSION OF AMERICAN PRODUCED ECUADOREAN
PETROLEUM TO CUBA

REF: STATE 207936; SAO PAULO 2397; RIO DE JANEIRO 3871

1. AS REPORTED IN QUITO 4009 AND 4231, RUMORS WERE RIPE
IN JULY AND AUGUST THAT ERINAM WAS BUYING ECUADOREAN
ROYALTY CRUDE FOR CUBA OR ISRAEL. THE RUMORS SEEMED TO
GAIN CURRENCY FROM THE FACT THAT ERINAM WAS A PAPER ENTITY
MAKING ITS FIRST ENTRY INTO PETROLEUM MARKETING. IT ALSO
BID A PRICE (\$5.01 PER BARREL) THAT WAS HIGH BY THE THEN
(NOT PRESENT) MARKET. NEITHER ERINAM NOR THE GOE FIRMLY
DENIED THESE RUMORS. WHEN THE ERINAM REPRESENTATIVE MET
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THE PRESS, HE SAID THAT ERINAM ITSELF HAD NOT YET

ARRANGED THE DESTINATION OF THE CRUDE.

2. EMBASSY HAS LEARNED FROM SOURCES IN THE MINISTRY OF NATURAL RESOURCES AND IN TEXACO-GULF THAT ERINAM ROYALTY CRUDE HAS BEEN OFFERED TO UNITED STATES' BUYERS BY PHILLIPS BROTHERS, A SUBSIDIARY OF ENGELHARD MINERALS. SALES HAVE BEEN MADE TO SUN OIL COMPANY, ATLANTIC RICH-FIELD, AND MAYBE OTHERS. ERINAM CRUDE MOVED TO DATE FROM BALAO HAS BEEN MANIFESTED FOR U.S. PORTS. MINISTRY SOURCE SAYS THAT ERINAM HAS HAD DIFFICULTY ARRANGING SUFFICIENT SHIPPING TO LIFT ITS FULL ENTITLEMENT AND THAT BALANCE WILL BE SOLD BY GOE TO PETROPERU. THIS CRUDE IS IN ADDITION TO THE 1.2-1.4 MILLION BARRLES OF ROYALTY CRUDE ACQUIRED BY THE GOE BETWEEN JULY 15 AND SEPTEMBER 1 (BEGINNING OF ERINAM PURCHASES) AND SOLD TO PETROPERU, PETROBRAS, AND PEMEX AS A FOREIGN RELATIONS GESTURE, AT THE \$5.01 PRICE.

3. ALTHOUGH IT APPERAS CERTAIN THAT ECUADOREAN CRUDE IS NOT MOVING TO CUBA, IT IS POSSIBLE THAT ERINAM HAS ARRANGED A SWAP OF ECUADOREAN CRUDE FOR CRUDE ELSEWHERE THAT COULD BE MOVED IN THE CUBA, OR FOR THAT MATTER, ISRAEL TRADE. ECUADOREANS WOULD NOT NECESSARILY KNOW THIS, AND OUR CONTACTS DO NOT. IT IS ALSO POSSIBLE THAT THE RUMORS MIGHT COME TRUE LATER IN THE TWO-YEAR LIFE OF THE ERINAM CONTRACT. PHILLIPS BROTHERS SALES TO DATE LOOK LIKE SPOT TRANSACTIONS. BREWSTER

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